

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

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PA-02 PRS-01 SP-02 SS-15 DHA-02 COME-00 EB-07 FRB-01

TRSE-00 XMB-04 OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 5983

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

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UNCLAS SECTION 01 OF 02 LONDON 15448

E.O. 11652: N/A

TAGS: PGOV, PINT, PFOR, UK

SUBJECT: LABOR PARTY CONFERENCE: DUTCH UNCLE JIM

SPEAKS OUT

REF: LONDON 15369

SUMMARY. PRIME MINISTER CALLAGHAN ADDRESSED DELEGATES

THE MORNING OF SEPTEMBER 28, AND SOUNDED EVERY BIT A

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DUTCH UNCLE AS HO DISCUSSED BRITAIN'S INDUSTRIAL AND

ECONOMIC PROBLEMS, AND TOLD DELEGATES PRIMARILY THAT RE-GENERATION OF INDUSTRY DEPENDED, INTER ALIA, ON PROFITS, HIGHER PRODUCTIVITY AND INDUSTRIAL PEACE. BORROWING, HE SAID, CANNOT SUBSTITUTE FOR GROWTH: "WEALTH MUST BE CREATED BEFORE IT CAN BE DISTRIBUTED." CALLAGHAN ALSO MADE REFERENCE TO THE EMPLOYMENT OUTLOOK, RACE RELATIONS, DEVOLUTION, NORTHERN IRELAND, SOUTHERN AFRICA, DETENTE, AND THE GOVERNMENT'S RELATIONS WITH THE LABOR PARTY. IN THE LATTER REGARD HE ATTACKED EXTREMIST ELEMENTS AND INVITED THE NATIONAL EXECUTIVE COMMITTEE (NEC) TO EMULATE TUC IN WORKING WITH THE GOVERNMENT. HIS SPEECH CLEARLY REAFFIRMS, IF REAFFIRMATION WAS NECESSARY, FACT THAT CONFERENCE DECISIONS WILL NOT DEFLECT GOVERNMENT FROM ITS CURRENT ECONOMIC STRATEGY. END SUMMARY.

1. PRIME MINISTER CALLAGHAN ADDRESSED THE LABOR PARTY CONFERENCE THE MORNING OF SEPTEMBER 28 AND CONVINCINGLY BID FOR GREATER UNDERSTANDING AND SUPPORT FROM THE PARTY RANK AND FILE. AFTER OPENING WITH AN OBLIGATORY VOTE OF THANKS FOR FORMER PRIME MINISTER WILSON, AND RECITING GOVERNMENT'S LEGISLATIVE RECORD, CALLAGHAN TALKED TURKEY. THE DELEGATES WHO YESTERDAY EMBARRASSED THE GOVERNMENT ON PUBLIC EXPENDITURES (SEPTEL) WERE TOLD THAT BRITAIN FOR TOO LONG: HAD "TRODDEN THE PRIMROSE PATH AND BORROWED MONEY FROM ABROAD"; CURRENT UNEMPLOYMENT RESULTED FROM "BUYING OURSELVES MORE THAN THE VALUE OF WHAT WE PRODUCE"; NEW INVESTMENT MUST BE CREATIVELY DIRECTED AND "PRODUCTIVITY OF BOTH LABOR AND CAPITAL" SIGNIFICANTLY IMPROVED; THAT INDUSTRY "MUST BE ABLE TO EARN A SURPLUS, WHICH IS AN EUPHEMISM FOR SAYING THAT THEY MUST MAKE A PROFIT"; AND, FINALLY, THAT "WEALTH MUST BE CREATED BEFORE IT CAN BE DISTRIBUTED." HE CITED THE LATTER POINT AS THE PRINCIPAL SOURCE OF MIS-UNDERSTANDING BETWEEN THE GOVERNMENT AND PARTY ON PUBLIC EXPENDITURES. "THE LONG TERM CURE FOR UNEMPLOYMENT," CALLAGHAN STRESSED, "IS TO CREATE HEALTHY MANUFACTURING INDUSTRY THAT CAN HOLD ITS OWN OVERSEAS AND IN SO DOING WILL CERTAINLY BE ABLE TO HOLD ITS OWN IN THE DOMESTIC MARKET." HE THEN ASKED FOR THE PARTY'S SUPPORT FOR THE GOVERNMENT'S ECONOMIC STRATEGY, AFFIRMING THAT UNCLASSIFIED

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"LOYALTY IS NOT ENOUGH ... WE NEED A CONVICTION AND A DETERMINATION TO GO OUT INTO THE WORKSHOPS, ON TO THE STREETS, AT THE DOORSTEPS, EXPLAINING WITH A PASSION TO OTHERS WHY WE FOLLOW THIS PATH." CALLAGHAN ALSO DISCUSSED THE CURRENT EMPLOYMENT PICTURE, PLACING GREAT STRESS ON THE GOVERNMENT'S EFFORTS TO FIND EMPLOYMENT FOR SCHOOL LEAVERS.

2. ON THE RACIAL QUESTION, HE REAFFIRMED HIS GOVERNMENT'S COMMITMENT TO END ALL FORMS OF RACIAL DISCRIMINATION, WHILE NOTING THAT BRITAIN'S CAPACITY TO ABSORB IMMIGRANTS IS NOT INFINITE. CALLAGHAN STRONGLY REAFFIRMED HIS COMMITMENT TO GET DEVOLUTION LEGISLATION ON THE BOOKS IN 1977 AND REJECTED THE NOTION THAT THIS STEP WOULD LEAD TO SEPARATION. CONCERNING NORTHERN IRELAND, UNCLE JIM EXPRESSED GRATITUDE FOR THE PERFORMANCE OF FORMER NI SECRETARY MERLYN REES AND STATED CATEGORICALLY "THERE WILL BE NO ECONOMIC OR POLITICAL WITHDRAWAL."

3. TURNING TO SOUTHERN AFRICA, CALLAGHAN SAID SMITH'S ACCEPTANCE OF MAJORITY RULE PRINCIPLE "COULD BE AN

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HISTORIC TURNING POINT IN THE FUTURE OF THE SUBCONTINENT AND THANKED SECRETARY KISSINGER FOR HIS CHARACTERISTIC AND REMARKABLE CONTRIBUTION TO RECENT DEVELOPMENTS." THE GOVERNMENT'S IMMEDIATE GOAL IN RHODESIA IS THE ESTABLISHMENT OF AN INTERIM GOVERNMENT WITHIN 4-6 WEEKS. ALSO IN FOREIGN POLICY, CALLAGHAN RE-ENDORSED DETENTE AND EXPRESSED A DESIRE FOR GREATER EAST/WEST TRADE.
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4. LASTLY, CALLAGHAN OBSERVED THAT: TUC/GOVERNMENT LINK IS IN FAR BETTER SHAPE THAN THAT BETWEEN NEC AND

LABOR PARTY AND NEC SHOULD START SPECIAL INVESTIGATION OF THIS PROBLEM. HE ALSO WELCOMED "THE MUTUAL RESPECT, MUTUAL TRUST AND RECOGNITION OF THEIR RESPECTIVE ROLES." AS A RESULT THE GOVERNMENT WOULD BE "MORE SENSITIVE TO THE PARTY'S WISHES AND THE PARTY'S DELIBERATIONS AND THE PARTY WILL HAVE A SHARPER CUTTING EDGE BEING MORE CLOSELY INVOLVED ... IN THE DECISION MAKING."

5. COMMENT: CALLAGHAN'S STATEMENT WAS POLITELY, IF UNENTHUSIASTICALLY, RECEIVED BY THE DELEGATES, AND IT WAS A TOUGH TALK ADDRESSED PRIMARILY TO THE CONSTITUENCY PARTY REPRESENTATIVES. IT WAS ALSO A STRONG DECLARATION, IF SUCH WERE NEEDED, THAT HOSTILE RESOLUTIONS FROM THE CONFERENCE WILL NOT DETER THE GOVERNMENT FROM CARRYING OUT ITS PRESENT ECONOMIC STRATEGY AND POLICIES.

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